

FROM THE ACQUISITION REFORM OFFICE. . .

As promised in the March-April 2000 issue of Army AL&T magazine, the progress made in achieving the goals and objectives of the revolution in business affairs (RBA) will be discussed in this acquisition reform column. This column also addresses the substantial progress by DOD and the Army in improving acquisition practices and policies through acquisition reform, and transforming logistics systems to integrated supply chains driven by modern information technologies and best business practices. These progress reports are taken from Under Secretary of Defense for Acquisition, Technology and Logistics Dr. Jacques S. Gansler's March 2000 draft report, The Road Ahead.

The Revolution In Business Affairs Progress Report

The primary focus of the RBA has been on three top-level goals. These goals and the progress made in achieving them are as follows:

Goal 1: Field high-quality Defense products quickly and support them responsively.

Progress: The average Major Defense Acquisition Program (MDAP) cycle time for post-FY92 starts has been reduced 26.5 percent (from 132 months to 97 months—2 months below the objective of 99 months).

In addition, DOD has reduced the logistics response time from an average of 36 days (in FY97) to the target of 18 days in FY99. Asset visibility and accessibility have improved from 50 percent in FY96 to 94 percent in FY99. DOD supply inventory has been reduced by \$12 billion, from \$67 billion in FY96 to an estimated \$55 billion in FY99.

Goal 2: Lower the total ownership cost of Defense products.

Progress: DOD has maintained MDAP cost growth below the objective of 1 percent annually since FY98, but annual cost growth is expected to exceed the 1 percent objective in FY00. Since FY98 (and projected through FY01), DOD's average annual MDAP cost growth has been 0.1 percent, -0.3 percent, 3.1 percent, and 0.9 percent, respectively.

For fielded systems, DOD has reduced the annual logistics support cost per weapon system from the FY97 baseline of \$82.5 billion to \$77.9 billion, just slightly behind the \$76.7 billion target.

Goal 3: Reduce the overhead cost of the acquisition and logistics infrastructure.

Progress: Funding for logistics and other infrastructure has been reduced from 64 percent of Total Obligation Authority (TOA) in FY97 to 60 percent of TOA in FY00, 2 percentage points better than the target.

DOD And Army Acquisition And Logistics Reform Progress Report

DOD and the Army have made exceptional progress in acquisition and logistics reform. Many dramatic changes have taken place and continue to evolve. Some of the examples are as follows:

- Defense Acquisition Pilot Programs, which include five major weapon systems specifically identified by Congress to be testbeds for many new acquisition practices, yielded savings as high as 50 percent over previous official cost estimates. These programs have been or are on schedule to be fielded more rapidly than DOD's normal 8-12 years.

- DOD uses credit cards for more than 90 percent of its transactions below \$2,500, resulting in savings and cost avoidance in the hundreds of millions of dollars. The Army is the largest federal government user of the Commercial Purchase Card, leading DOD with 97 percent of micropurchases made with the purchase card in FY99. In addition, DOD asked the Army to establish and lead a joint program management effort to bring DOD to a 90-percent level by Oct. 1, 2000. In FY99, the Army led DOD to an overall performance rate of 92 percent use of purchase cards for micropurchases, 1 year in advance of its goal.

- By the end of 1999, the Army was electronically transmitting 88 percent of all contracting actions. Further, the Army fielded the DOD Standard Procurement System to 7,733 users at 350 sites throughout the Army and Air National Guard to replace legacy contracting systems. The Standard Army Automated Contracting System (SAACONS) was retired at the end of the year. The Army's Paperless Project Office continues to identify and fill gaps (such as a requirement generation tool for use on base and at installations) and to promote business process re-engineering of the contracting process. The Army remains on track to eliminate 90 percent of all paper used in the contracting process by the newly revised completion date of Dec. 31, 2000. This is in accordance with the goal established by the Office of the Secretary of Defense (OSD).

- The Single Process Initiative was launched to eliminate duplicative processes and introduce appropriate, commercial-like processes at Defense industry manufacturing facilities. This initiative enabled the conversion of more than 200 facilities to ISO 9000 standards (replacing DOD's traditional and unique quality standards) and saved or avoided more than \$500 million.

- DOD has reduced its acquisition and technology workforce by nearly 50 percent during the last 10 years. DOD continues to devote significant resources to defining its long-term workforce requirements, in terms of both skills and numbers, for the years ahead.

ACQUISITION REFORM

Army Contracting Efficiency Progress Report

The analysis of the FY99 Army Procurement Statistical Reports and Summary of Procurement Actions has been performed and the annual progress reports have been prepared. The results are included in the FY99 *Army Procurement Fact Book*, which can be accessed at

<http://acqnet.sarda.army.mil/library/factbook/98fact/sld001.htm>.

Additional metric charts that will help to discern trends in Army contracting efficiency are available at

<http://acqnet.sarda.army.mil/acqref/armetric.htm>.

By examining historical data since the inception of acquisition reform efforts, conducting ratio analysis, and assessing the overall trends, individuals can reach important conclusions about the health of the contracting mission area in general, and the impact of Army acquisition reform in particular.

One key measurement tool in use since 1995 is the cost-to-purchase ratio. This ratio provides the cost expended (in cents) to purchase one dollar's worth of supplies or services. During the analysis period FYs 95-99, the cost-to-purchase ratio decreased 18 percent.

Another ratio under study is the average annual obligation per person. Between FYs 95-99, the average dollar awarded per person annually rose from \$3.3 million to \$5 million, an increase of 52 percent. This indicates that the average Army contracting professional has become significantly more productive in terms of total output. This increase in productivity can be attributed to various reasons, including personnel reductions, process improvements, and acquisition reform initiatives.

The average obligation per contracting action is being examined. Between FYs 95-99, this rose from \$14,400 to \$59,105, an increase of 309 percent. This reflects the increased use of the Commercial Purchase Card for satisfying micropurchase needs, as well as the continuing emphasis on consolidating contract requirements where possible and useful. The Army Centers and Satellites organizational concept has contributed to this success.

The point of contact for acquisition reform articles is Monti Jagers at (703) 681-7571, DSN 761-7571, e-mail jaggersm@sarda.army.mil.

CONFERENCES

Army Operations Research Symposium Announced

Approximately 200 invited government, academic, and industry leaders are expected to attend the 39th annual U.S. Army Operations Research Symposium (AORS XXXIX), Oct. 11-12, 2000, at Fort Lee, VA. This year's theme is "Shaping the Transformation Force." Symposium registration and a social will be held the evening of Oct. 10.

Concurrent special sessions will cover Information Operations; Survivability Enhancements—Adding Internetted Capabilities to Armor; Advances in Analysis and Simulations and Their Impact on the Transformation Force; Analysis of the Digitized Force; Integrated Test and Evaluation and Spiral Development; Force Development, Modernization, and Requirements; Reducing the Logistics Footprint; and Manpower, Personnel, and Training Systems. In addition to these special sessions, the Army Logistics Management College (ALMC) will conduct two tutorials the afternoon of Oct. 10.

The symposium will allow an exchange of information and discussions about experiences on significant Army analyses. The goal is to enhance analysis efforts and broaden the perspective of the analysis community. Papers that address the session topics listed above are being solicited.

The U.S. Army Test and Evaluation Command, directed by MG A.J. Madora, is responsible for the overall planning and conduct of AORS XXXIX. The U.S. Army Combined Arms Support Command and Fort Lee, commanded by LTG Billy K.

Solomon; and ALMC, commanded by COL Samuel H. Jones III, will again serve as hosts.

For additional information, contact MAJ William M. Boruff or SSG Sakinah A. Hall at DSN 761-9887/9835 or (703) 681-9887/9835, Janet Green at DSN 458-0429 or (410) 306-0429, or the AORS Web site at <http://www.atec.army.mil/aors>.

49th Defense Working Group On NDT Schedules Meeting

The 49th Defense Working Group (DWG) on Non-destructive Testing (NDT) will meet Oct. 30-Nov. 2, 2000, at the Isle of Capri Crowne Plaza Resort, Biloxi, MS. The meeting will be co-hosted by Tinker Air Force Base, OK, and Keesler Air Force Base, MS.

Restricted to U.S. government employees, this annual meeting of engineers, scientists, and technicians is the only forum for military, Defense Logistics Agency, and Defense Contract Management Agency personnel to freely exchange information and discuss problems pertaining to NDT methods, equipment, and applications.

Additional information on the 49th DWG meeting is available at <http://members.aol.com/dodndt>, or contact Master Sergeant Dewey Buck at (228) 377-4279 or DSN 597-4279, or by e-mail at dewey.buck@keesler.af.mil.